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# How to Determine If a Charity Is Effective

*Here are some things to look into before firing off a check*

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By LISA WARD

Do you want to *really* make a difference?

Then don't commit your money, especially a sizable donation, to any charitable organization without performing the proper due diligence first.

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These days, most donors are smart enough to do at least a little research before firing off a check, but often the focus is on finances—things like the percentage of donations the organization spends on overhead and how that compares with other groups doing similar work.

While that may be a good place to start, it tells only part of the story. To determine if a charitable organization is actually making an impact, donors need to dig a little deeper.

To that end, here are some things to consider when evaluating a charity. Think of it as a charity-vetting checklist.

## What Do You Hope to Accomplish?

Different charities may have different missions even if they are working on the same cause. A soup kitchen, for example, addresses hunger differently than a policy or advocacy group. Consider if you want to fund programs that address immediate needs or those that work toward longer-term solutions.

"At the starting point, donors should ask themselves, 'What do I care about? What do I want to accomplish,'" says Susan Winer, co-founder of Strategic Philanthropy, a philanthropic advisory firm based in Chicago.

## Are the Organization's Goals Clear and Measurable?

Heart-wrenching stories may spur donations, but an organization's pitch should focus on its proposed solution, not on the scope of the problem.

"How can an organization make progress against a mission without clearly articulating first what it hopes to achieve?" asks Bruce Boyd, a principal and managing director at Arabella Advisors, based in Washington,



Carl Wiens

D.C.

As such, a charity's website should clearly explain the organization's goals, how it plans to accomplish them and its past results.

Success stories may illuminate how a nonprofit works, but they won't tell you if the group is making a real impact. A story detailing how an organization helped one young adult graduate from high school and go on to college, for example, could omit the fact that many of the other children it worked with dropped out of school.

What you want to see is that the organization is measuring itself against specific benchmarks and making adjustments when a strategy isn't working, says Mr. Boyd.

If the organization you're researching doesn't post results on its website, don't be afraid to call and ask for data, even if your donation is relatively modest. "A thousand dollar donation should get anyone on the phone," says Thomas Pollak, program director of the Urban Institute's National Center for Charitable Statistics.

### **Who Are the Charity's Leaders?**

Another good way to assess whether a charity's goals are feasible—especially in the case of smaller or younger organizations—is to research the people in charge. Consider skill sets and past experiences to judge if the staff is capable of accomplishing the group's mission.

"It isn't unlike venture capital, where you are judging someone on the quality of their thinking," says Melissa Berman, president and chief executive officer of New York-based Rockefeller Philanthropy Advisors.

The names of key staff members can be found on the group's website or on Form 990, the main document that nonprofits submit to the Internal Revenue Service. Available via the site of charity watchdog [Charity Navigator](#), Form 990 also can shed light on potential conflicts of interest, such as gifts or loans from the organization to employees or board members and vice versa.

### **What Are Similar Groups Doing?**

Put an organization's work into greater context by researching what else is being done in the same geographic area or philanthropic field. Many worthy organizations operate below the radar screen.

"Everyone knows the largest organization in town, but that is usually the tip of the iceberg," says Mr. Pollak. "Smaller and less visible organizations do great work and often have a tougher time raising funds."

Smaller groups can have strong, local ties to the community and fill a vital role. Take a group committed to stopping gang violence as an example. If the directors live in the neighborhood and know the kids and their parents, it may be more effective than a citywide group that doesn't have community representation.

To learn which charities operate in a given community, go to the website of [the National Center for Charitable Statistics](#). The free online database lists charities by mission, city, ZIP Code and county.

### **What Do the Experts Say?**

## Digging Deeper

Online sources for researching charities

◆ **Charity Navigator** *charitynavigator.org*

Financial analysis and accountability; lists groups by topic; names leadership; copy of groups' IRS Form 990.

◆ **Philanthropedia** *myphilanthropedia.org*

Reviews of programs and areas in need of improvement; descriptions of causes; CEOs' biographies.

◆ **Root Cause** *Rootcause.org*

Guidelines for selecting effective organizations based on topic.

◆ **National Center for Charitable Statistics** *nccs.urban.org*

Search charities by topic, geography, revenue size; current and past 990 Forms; public or private status.

◆ **Coalition of Evidence Based Policy** *coalition4evidence.org*

Search select charities by topic; search proven approaches to dealing with various social issues; access free reports.

Source: the websites

The Wall Street Journal

Many issues, be it AIDS research or rain-forest preservation, are multifaceted and fast-changing. Engaging experts to highlight the latest developments can improve donors' understanding of the cause and help them to pinpoint the most effective charities operating in that space.

While philanthropic advisers typically arrange meetings with experts for their clients, there are websites that also cull expert opinion.

[Philanthropedia](#), a division of Williamsburg, Va.-based GuideStar USA Inc., for example, surveys hundreds of independent experts in an effort to identify the most effective charities in various areas. It asks experts to recommend four nonprofits based on their impact, and to evaluate the strengths and weaknesses of those groups.

"A consensus usually emerges," says Erinn Andrews, GuideStar's senior director of nonprofit strategy.

Experienced donors are another great resource. They can share their own personal experiences and opinions about which organizations or programs are particularly strong in a certain areas.

Grant makers can connect through regional organizations, like

the Northern California Grantmakers.

### Is the Group Financially Stable?

An organization's finances, laid out in Form 990, can shed light on a group's solvency and capacity.

If the group is receiving money from several respected donors and foundations, that is a sign of financial stability. If the group is dependent on a single source of funding, especially from the government, it could be in real trouble if financing is curtailed during budget cuts.

Sometimes, a group receives funding from a parent organization. Make sure the larger organization's values match your own.

A charity should be bringing in enough revenue to meet or exceed expenses. It's also good if the group has a reserve fund that can cover operations for three to six months.

Determine how much money is going to professional fundraisers. Obviously, it's a bad sign if the majority of money raised is going to a fundraising company.

Consult Charity Navigator's website to determine if an organization's fundraising and executive compensation are in line with industry norms.

### What Is Your Gut Telling You?

While metrics on effectiveness and finances are useful they aren't faultless, so if you feel strongly that an organization is making an impact in some way, you might want to go with your gut.

Sometimes it's hard to measure what a program is really doing, especially in the context of a multifaceted societal problem, says Heather Weiss, director of the Harvard Family Research Project. Early on, for example, large research studies found that the Drug Abuse Resistance Education, known as DARE, wasn't significantly tackling the problem of drug abuse among teenagers, the organization's primary objective.

But many educators valued and stayed with the program because it fostered strong ties between the local police departments and school children, according to a 2005 study from Harvard's School of Education.

Donating to a charity is a judgment call, just like buying a car or picking a university.

"You are never going to know everything," says Ms. Berman.

*Ms. Ward is a writer in Mendham, N.J. She can be reached at [reports@wsj.com](mailto:reports@wsj.com).*

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